



interview
tips

Interview Tips – Itemized Deductions

These interview tips will assist you in determining whether a taxpayer's itemized deductions are more than their standard deduction amount. It may be more advantageous for a taxpayer to itemize their deductions if the amount is larger than the allowable standard deduction amount.

step

1

Do you have expenses in the following categories: medical and dental expenses, taxes you paid, home mortgage interest you paid, mortgage insurance premiums you paid, gifts to charity, job expenses, and certain miscellaneous deductions?

Note: Casualty and theft losses and some miscellaneous deductions are beyond the scope of VITA/TCE.

If YES, go to Step 2.

If **NO**, generally speaking, you should take the standard deduction if eligible. For further explanation see exceptions in Publication 17, Standard Deduction chapter. Go to Step 2.

step

2

Were the medical and dental expenses paid by an employer under a pre-tax plan (not included in box 1 of the customer's Form W-2) or were the expenses reimbursed by an insurance company?

If YES, you cannot deduct reimbursed expenses. Go to Step 4.

If **NO**, you can claim these expenses. Go to Step 3.

step

3

Were the medical and dental expenses more than 7.5% of your adjusted gross income?

Note: You can include medical and dental bills you paid for:

- Yourself and your spouse
- All dependents you claim on your return
- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents
- Any person you could have claimed as a dependent on your return unless that person received \$3,650 or more of gross income or filed a joint return
- Any person you could have claimed as a dependent unless you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2010 return.

If YES, go to Step 4.

If **NO**, your medical and dental expenses must be more than 7.5% of your adjusted gross income to claim a medical expense deduction on Form 1040, Schedule A. Go to Step 4.

step

4

Were the following taxes you paid imposed on you: state, local or foreign income taxes, real or personal property taxes?

Note: This includes taxes paid on a qualifying new motor vehicle.

If YES, go to Step 5.

If **NO**, you cannot claim this expense as a deduction because you were not obligated to pay the taxes. Go to Step 6.

step

5

Did you pay these taxes during **this tax year**?

If YES, you can claim these expenses and go to Step 6.

If **NO**, you cannot deduct taxes for this year that were paid in another year. Go to Step 6.

step

6

Are you legally liable for the home mortgage loan?

If YES, go to Step 7.

If **NO**, you cannot take an interest expense for a mortgage for which you are not legally liable. Go to Step 12.



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Interview Tips – Itemized Deductions (continued)

step 7	Did your home secure the mortgage loan?	If YES, go to Step 8. If NO, you cannot take an interest expense if your main home does not secure the mortgage. Go to Step 11.
step 8	Did you pay the mortgage interest in this tax year?	If YES, go to Step 9. If NO, you cannot take the mortgage interest deduction. Go to Step 11.
step 9	Did you take out your mortgage on or before October 13, 1987?	If YES, your mortgage interest is fully deductible. Go to Step 10. If NO, follow the flowchart in Publication 17 to determine what is deductible. Go to Step 11.
step 10	Did you pay premiums in 2010 for qualified mortgage insurance for a home acquisition debt that was issued after 2006?	If YES , you can take a deduction for qualified mortgage insurance as home mortgage interest within the AGI income limitations. If NO , you cannot take a deduction for qualified mortgage insurance as home mortgage interest.
step 11	Did you pay points to obtain a home mortgage (on a main home or second home or home improvement loan or to refinance your home)?	If YES, follow the flowchart in Publication 17 and then go to Step 12. If NO, go to Step 12.
step 12	Did you make a cash contribution to a qualified organization?	If YES, you must have a written receipt from that particular organization, and then go to Step 13. If NO, go to Step 13.
step 13	Did you make a noncash donation to a qualified organization? Note: Generally fair market value is used to determine the value of a donation.	If YES, advise the taxpayer that generally he or she must have a written receipt from that particular organization. Go to Step 14. If NO , Go to Step 15.
step 14	Is the total of all noncash donations \$500 or less? Note: If more than \$500, refer taxpayer to a professional tax preparer.	If YES, see Publication 17 for more details. If NO , this is beyond the scope of VITA/TCE. Refer taxpayer to a professional tax preparer.
step 15	Do you have any employee or investment expenses more than 2% of your (and your spouse's if married filing jointly) adjusted gross income?	If YES, report the expenses on Schedule A, <i>Job Expenses and Certain Miscellaneous Deductions</i> . If NO , your employee and investment expenses are not deductible.

If the total itemized deduction is more than the standard deduction, carry the total to line 40 of Form 1040.